UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)
X__Quarterly report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the period ended June 30, 2002.

___Transition report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ______ to ______.

T.Z.F. INTERNATIONAL INVESTMENTS, INC.
(Exact name of registrant as specified in its charter)

Nevada	0-31353	88-0404186
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

Unit 1, 3071 No. 5 Road Richmond, B.C., Canada	V6X 2T4
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (604) 718-2188

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ..X.. No ....

Applicable only to issuers involved in bankruptcy proceedings during the past five years.
Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes ..... No .....

Applicable only to corporate issuers
State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: At June 30, 2002, there were 35,498,505 shares outstanding.

Transitional Small Business Disclosure Format (Check one): Yes ..... No ..X..

PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS AND EXHIBITS

(a) The unaudited financial statements of registrant for the six months ended June 30, 2002, follow. The financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim period presented.

T.Z.F. INTERNATIONAL INVESTMENTS, INC.
(A Development Stage Company)

FINANCIAL STATEMENTS

Quarter Ended June 30, 2002

INDEX TO FINANCIAL STATEMENTS:

MOEN AND COMPANY
CHARTERED ACCOUNTANTS

PO Box 10129
1400 IBM Tower
701 West Georgia Street
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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors and Stockholders
T.Z.F. International Investments, Inc.
(A Nevada Corporation)

We have reviewed the accompanying Consolidated Balance Sheets of T.Z.F. International Investments, Inc. (A Nevada Corporation) as of June 30, 2002 and June 30, 2001, and the related Consolidated Statements of Operations, Retained Earnings, Cash Flows and Changes in Stockholders' Equity for the six month periods then ended in accordance with Statements on Standards for Accounting and Review Services issued by the America Institute of Public Accountants. All information included in these financial statements is the representation of T.Z.F. International Investments, Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

On the basis of our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with United States generally accepted accounting principles (GAAP).

"Moen and Company"

Chartered Accountants

Vancouver, British Columbia, Canada
July 7, 2002

T.Z.F. INTERNATIONAL INVESTMENTS, INC.

(A Nevada Corporation)
Consolidated Balance Sheets
June 30, 2002 and June 30, 2001
(In US Dollars)
(Unaudited)

		2002		2001
Assets				
Current Assets				
Cash and cash equivalents (note 3)	$	259,191	$	1,633,610
Accounts receivable (note 4)		3,466,685		5,615,010
Prepaid expenses and deposits (note 5)		1,702,675		221,152
Subscriptions receivable (note 6)		--		406,434
Short-term investment - secured		--		1,550,674
Inventories, at lower cost or market (note 7)		1,779,742		2,185,094
TOTAL CURRENT ASSETS		7,208,293		11,611,974
Fixed Assets - Schedule A		6,716,586		6,433,193
Intangible Assets - Schedule A		4,125,109		4,140,831
Goodwill, at cost (note 11)		1,206,554		1,176,390
TOTAL ASSETS (Pledged as security for bank loans - Note 17)	$	19,256,542	$	23,362,388
Liabilities and Stockholders' Equity				
Current Liabilities				
Bank loans - secured (note 17)	$	1,035,066	$	1,917,775
Accounts payable and accrued (note 14)		2,353,009		2,783,372
Payable on acquisition of Shenzhen Tianzhifu Network Technology Ltd. (note 1)		--		518,590
Management fees payable (note 15)		--		224,538
Loans from related parties, unsecured, non interest bearing, with no specific terms of repayment (note 16(b))		560,552		515,053
TOTAL CURRENT LIABILITIES		3,948,627		5,959,328
Long-term Liabilities				
Long-term debt (note 18)		214,208		295,399
Deferred liabilities - pensions (note 23)		212,562		212,562

	426,770	507,961
Minority interest	--	108,680
Stockholders' Equity		
Capital stock (note 19)		
Authorized		
100,000,000 common shares at $0.0001 par value		
Issued		
35,498,505 common shares (2001 - 35,897,309 shares) - par value	3,550	3,590
Paid in capital in excess of par value of stock	14,838,990	15,403,889
Retained earnings	33,618	1,374,761
Cumulative translation adjustment (note 2)	4,987	4,179
	14,881,145	16,786,419
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 19,256,542	$ 23,362,388

Approved on behalf of the board:

"Xin Chen" , Director

, Director

See Accompanying Notes and Independent Accountants' Review Report

T.Z.F. INTERNATIONAL INVESTMENTS, INC.

(A Nevada Corporation)
Consolidated Statements of Operations
(In US Dollars)
(Unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Revenue				
Sales	$ 1,022,919	$ 4,811,377	$ 2,071,669	$ 6,097,923
Cost of sales	529,507	3,460,877	1,225,606	4,214,578
	493,412	1,350,500	846,063	1,883,345
Other income (expense)	(17,915)	96,616	(6,539)	260,246
	475,497	1,447,116	839,524	2,143,591
Expenses				
Selling expenses	185,928	92,669	296,122	168,988
Administration Costs	148,113	344,719	293,410	641,341
Depreciation and amortization	162,139	57,723	249,934	114,788
Bad debts	601,408	--	601,408	--
	1,097,588	495,111	1,440,874	925,117
Profit (loss) before income taxes	(622,091)	952,005	(601,350)	1,218,474
Income taxes	1,939	174,956	1,939	211,553
	(624,030)	777,049	(603,289)	1,006,921
Minority interest	--	36,129	--	36,129
Net profit (loss) for the period	$ (624,030)	$ 740,920	$ (603,289)	$ 970,792
Basic profit (loss) per share	$ (0.02)	$ 0.02	$ (0.02)	$ 0.03
Diluted profit (loss) per share	$ (0.01)	$ 0.02	$ (0.01)	$ 0.02
Weighted average number of common shares used to compute profit per share				
Basic	35,498,505	35,897,309	35,498,505	35,897,309
Diluted	45,788,512	46,187,316	45,788,512	46,187,316

See Accompanying Notes and Independent Accountants' Review Report

T.Z.F. INTERNATIONAL INVESTMENTS, INC.

(A Nevada Corporation)
Consolidated Statements of Retained Earnings (Deficit)
(In US Dollars)
(Unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Retained earnings (deficit),				
beginning of period	$ 657,648	$ 633,841	$ 636,907	$ 403,969
Net profit (loss) for the period	(624,030)	740,920	(603,289)	970,792
Retained earnings,				
end of period	$ 33,618	$ 1,374,761	$ 33,618	$ 1,374,761

See Accompanying Notes and Independent Accountants' Review Report

T.Z.F. INTERNATIONAL INVESTMENTS, INC.
(A Nevada Corporation)
Consolidated Statements of Cash Flows
(In US Dollars)
(Unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Cash derived from (used for)				
Operating activities				
Net profit for the period	$ (624,030)	$ 740,920	$ (603,289)	$ 970,792
Items not requiring use of cash				
Depreciation and amortization	162,139	57,723	249,934	114,788
Stock-based compensation	--	108,680	--	108,680
Cumulative translation adjustment	--	(196)	--	(204)
Changes in non-cash working capital items				
Accounts receivable	395,897	2,559	603,125	(410,033)
Prepaid expenses and deposits	524,435	(153,551)	390,750	(186,468)
Inventories	337,859	(618,429)	210,129	(940,452)
Accounts payable and accrued	(32,458)	168,176	40,691	32,942
	763,842	305,882	891,340	(309,955)
Financing activities				
Capital contributed	--	--	--	177,946
Management fees payable	--	47,867	--	74,534
Bank loans	(749,698)	338,573	(740,779)	338,573
Long-term debt	(40,011)	--	(54,782)	(10,739)
Loans from related parties	245,846	--	251,951	--
	(543,863)	386,440	(543,610)	580,314
Investing activities				
Fixed assets acquired	(350,224)	(260,283)	(525,948)	(641,202)
Intangible assets	--	(1,014)	--	79
Investment in Hongkang		532,044		532,044
Short-term investment		(196,381)		(196,381)
	(350,224)	74,366	(525,948)	(305,460)
Cash, increase (decrease) during the period	(130,245)	766,688	(178,218)	(35,101)
Cash, beginning of period	389,436	866,922	437,409	1,668,711
Cash, end of period	$ 259,191	$ 1,633,610	$ 259,191	$ 1,633,610

See Accompanying Notes and Independent Accountants' Review Report

T.Z.F. INTERNATIONAL INVESTMENTS, INC.Schedule A
(A Nevada Corporation)
Schedule of Fixed Assets/Intangible Assets
As at June 30, 2002
(In US Dollars)
(Unaudited)

	Cost	Accumulated Depreciation	Net
Fixed Assets			
Deferred lease expense	$ 3,556	$ 3,282	$ 274
Deferred expenses - other - TZF Jiangsu	622,496	34,462	588,034
Fixed assets of operating companies			
- note 8	4,036,213	984,770	3,051,443
- note 9	552,436	--	552,436
Construction in progress - Note 10	925,863	--	925,863
Rights of use of land			
Tianan - 50 years	370,508	11,914	358,594
TZF Jiangsu - 50 years (1)	1,239,942	--	1,239,942
	$ 7,751,014	$ 1,034,428	$ 6,716,586

Intangible Assets	
Technology rights - Note 13	$ 4,038,229
Deferred costs - Note 12	86,880
	$ 4,125,109

(1) To be amortized commencing when certificate of completion of building is received in 2002.

See Accompanying Notes and Independent Accountants’ Review Report

T.Z.F. INTERNATIONAL INVESTMENTS, INC.
(A Nevada Corporation)
Consolidated Statement of Changes in Stockholders' Equity
From Date of Inception on September 15, 1998 to June 30, 2002
(In U.S. Dollars)
(Unaudited)

	Number of Common Shares	par Value	Additional Paid-in Capital	Total Capital Stock	Retained Earnings (Deficit)	Cumulative Translation Adjustment	Total Stockholders' Equity
9/25/98 issuance of common stock for cash	1,000,000	$1,000	$1,500	$2,500			$2,500
Net loss for the year ended December 31, 1998					(1,115)		(1,115)
Balance, December 31, 1998	1,000,000	1,000	1,500	2,500	(1,115)		1,385
2/17/99 issuance of common stock for cash	600,000	600	59,400	60,000			60,000
Net loss for the year ended December 31, 1999					(7,515)		(7,515)
Balance, December 31, 1999	1,600,000	1,600	60,900	62,500	(8,630)		53,870
4/30/00 cancellation of common stock and transfer of par value to paid-in capital (note 1)	(1,000,000)	(1,000)	1,000				
Balance, April 30, 2000 before forward split	600,000	600	61,900	62,500	(8,630)		53,870
05/15/00 10 to 1 forward split	6,000,000	600	61,900	62,500	(8,630)		53,870
05/15/00 issuance of common stock for services	250,000	25	252,375	252,400			252,400
05/15/00 issuance of common stocks for the BC Company	18,451,843	1,845	5,351,087	5,352,932			5,352,932
7/4/00 issuance of common stock for cash	340,000	34	343,216	343,250			343,250
9/30/00 issuance of common stock for cash	615,466	62	621,286	621,348			621,348
10/19/00 issuance of common stock for cash	10,000	1	10,999	11,000			11,000
11/19/00 issuance of common stock for cash	230,000	23	252,977	253,000			253,000
12/28/00 issuance of common stock for debt	10,000,000	1,000	4,999,000	5,000,000			5,000,000
Net profit for the year ended December 31, 2000					412,599		412,599
Negative goodwill - gain on acquisition TZF Jiangsu - note 1			3,333,103	3,333,103			3,333,103
Cumulative translation						4,383	4,383
Balance, December 31, 2000	35,897,309	3,590	15,225,943	15,229,533	403,969	4,383	15,637,885

1/1/01 capital contributed			177,946	177,946			177,946
12/31/01 capital contribution adjustment			(158,505)	(158,505)			(158,505)
12/31/01 cancellation of common stock	(398,804)	(40)	(406,394)	(406,434)			(406,434)
Net profit for year ended December 31, 2001					232,938		232,938
Cumulative translation						604	604
Balance, December 31, 2001	35,498,505	3,550	14,838,990	14,842,540	636,907	4,987	15,484,434
Net profit (loss) for six months ended June 30, 2002					(603,289)		(603,289)
Balance, June 30, 2002	35,498,505	$3,550	$14,838,990	$14,842,540	$33,618	$4,987	$14,881,145

See Accompanying Notes and Independent Accountants' Review Report

T.Z.F. INTERNATIONAL INVESTMENTS, INC.
(a Nevada Corporation)
Notes to Consolidated Financial Statements
March 31, 2002
(In U.S. Dollars)
(Unaudited)

Note 1. ORGANIZATION AND NATURE OF BUSINESS

The Company was incorporated under the laws of the State of Nevada on September 15, 1998, as Sabai Sabai Enterprises, Corp., and on May 25, 2000, changed its name to T.Z.F. International Investments, Inc.

Pursuant to a stock purchase agreement dated March 30, 2000, T.Z.F. International Herbs Investment Inc., ("BC Company") purchased 1,000,000 shares of the issued and outstanding common stock of the Company. These shares were purchased in anticipation of the subsequent completion of a share exchange transaction between the Company and the BC Company. In conjunction with completion of the share exchange transaction these shares were cancelled, effective April 30, 2000, and as a result, the amount of the par value of $1,000 attributable to such shares was transferred to paid-in capital.

Pursuant to the terms of the share exchange which was effective as of April 30, 2000, the Company acquired all of the issued and outstanding stock of the BC Company in exchange for the issuance of 18,451,843 shares of its authorized but previously unissued shares of common stock, which shares were valued at $5,352,932 for purposes of the acquisition. Assets and liabilities of the BC Company at the date of acquisition on April 30, 2000, were as follows:

Assets	
Cash and short term deposits	$1,040,372
Accounts receivable	13,217
Capital stock subscriptions receivable	374,546
Prepaid expense and deposit	5,382
Inventories	206,532
Deferred lease expense, net of amortization	5,047
Fixed assets, net of accumulated depreciation	59,927
Intangible assets, technology rights	4,038,229
	5,743,252

Liabilities	
Accounts payable and accrued	114,917
Accrued payroll deductions payable	45,767
Management fees payable	168,205
Due to related parties	60,755
	389,644
Net assets including cumulative translation	5,353,608
Cumulative translation, included in above, Booked in stockholders' equity of Sabai Sabai	(676)
Net value in exchange for 18,451,843 common Shares off Sabai Sabai and net equity on date of acquisition of the BC Company	$5,352,932

In May 2000, the Company completed a 10:1 forward split of its outstanding stock. This forward split increased the number of issued and outstanding shares from 600,000 (1,600,000 previously outstanding less the 1,000,000 shares which were cancelled) to 6,000,000.

Subsequent to completion of the share exchange on April 30, 2000, the BC Company (the Company's wholly-owned subsidiary) received subscriptions for 340,000 additional shares. The Company elected to convert such shares to shares of its own common stock on the same terms as it completed the share exchange. Therefore, effective as of July 4, 2000 the Company issued 340,000 additional shares in exchange for shares of the BC Company

In May 2000, following completion of the forward split, the Company authorized the issuance of 250,000 restricted shares as compensation for consulting services at a price of CAD$1.50 per share, to the following:

Name	Number of Shares	Consideration CAD $	Equivalent US $
Robert Gelfand	50,000	$75,000	$50,480
Fred Fisher	200,000	300,000	201,920
	250,000	$ 375,000	$ 252,400

Accordingly, the amount of $252,400 was recorded as stock-based compensation in the financial statements for the year ended December 31, 2000.

T.Z.F. International Herbs Investment Inc., which is now a wholly-owned subsidiary of the Company, owns the formula and all distribution and intellectual property rights, including trademark, patent and industry design rights, for Snow Lotus Tea products.

The Company and its wholly-owned subsidiary, the BC Company, are both based in Richmond, British Columbia, Canada.

On December 21, 2000 the BC Company acquired 100% of issued and outstanding shares of Tianan Investment Limited ("Tianan"), a British Virgin Islands company with an office in Hong Kong for the total price of HK$21,500,000 (US$2,758,847), which was paid in cash in three installments. The BC Company paid the first installment totaling HK $6,638,318.09 (approximately US $851,100) in two parts, on July 7 and July 10, 2000. The second installment of HK $6,261,681.91 (approximately US $802,800), and the final installment of HK$8,600,000.00 (approximately US $1,104,947), which were paid on October 20, 2000 and December 20, 2000, respectively, were both paid by Xin Chen, one of the principal shareholders.

The sole asset of Tianan is its 100% ownership of Tianan Pharmacy (Xiamen) Co., Ltd. ("Tianan Pharmacy"), a manufacturer of Chinese biological and herbal medicine products. Tianan Pharmacy has a plant which is located in the Torch High Tech Development Zone of Xiamen, China, where it currently conducts research and development and produces herbal and biological medicines which it distributes and sells in China.

As a result of the closing of this purchase transaction, Tianan became a wholly-owned subsidiary.

Assets and liabilities of Tianan at the date of acquisition on December 21, 2000, were as follows:

Assets	
Cash and cash equivalents	$ 103,910
Accounts receivable, trade	198,910
Short-term loans	831,875
Prepaid expense and deposit	5,069
Inventories	449,147
Deferred expense, net of amortization	27,957
Fixed assets, net of accumulated depreciation	1,405,851

Rights of use of land - 50 years	370,508
	3,393,227
Liabilities	
Accounts payable, trade	9,921
Accounts payable, others	42,176
Taxes payable	33,222
Deferred liabilities, pension	212,562
Bank loan	483,676
	781,557
Net assets	2,611,670
Goodwill on acquisition	147,177
Total cash payments on acquisition	$2,758,847

On December 31, 2000, the BC Company completed the purchase of all of the shares of T.Z.F. International Herbs (Jiangsu) Co. Ltd. ("TZF Jiangsu") (formerly Second Pharmacy Factory of Yancheng City), ("Second Pharmacy"), a Chinese corporation. The assets were purchased from The People's Government of JianWu County, JiangSu Province, the People's Republic of China. The purchase was completed pursuant to the terms of an Acquisition and Investment Agreement dated September 12, 2000.

In accordance with the Acquisition and Investment Agreement, the purchase price was a total of RMB14,000,000.00 (US $1,786,591), which was paid in cash in two installments, plus assumption of liabilities totaling approximately RMB400,000 (approximately US$48,000). The first cash installment totaling RMB3,000,000.00 (approximately US $362,000) , was paid on September 18, 2000. The second cash installment of RMB11,000,000.00 (approximately US $1,376,591) was paid in two parts, on November 22 and November 28, 2000.

The purchase price for the assets of TZF Jiangsu was determined through arms length negotiation with the seller.

The cash purchase price for the assets of TZF Jiangsu was paid on our behalf by Xin Chen, one of the principal shareholders. These payments were part of a total of US$5,000,000 which Mr. Chen paid or advanced on behalf of the Company during the fiscal year ended December 31, 2000.

The assets of TZF Jiangsu consist primarily of an automated assembly line used for the production of various pharmaceutical products. The Company will continue to use this equipment and factory for the production of pharmaceutical products and will seek to expand and improve the operations.

In addition to payment of the initial purchase price of RMB14,000,000 for purchase of the existing assets of TZF Jiangsu, the Acquisition and Investment Agreement contemplates that during the next three years we will invest an additional sum of RMB14,000,000 in fixed assets, technological improvements, research and development and marketing in order to improve and expand the operations of TZF Jiangsu. In return for the Company's commitment to make this additional capital investment, the seller, The People's Government of JianWu County, JiangSu Province, the People's Republic of China has agreed to grant the Company various incentives, including rent free occupancy of certain new plant space for 50 years, an agreement to refund certain Value Added Tax for 3 years, a 100% exemption from income taxes for three years commencing in 2001, a 50% exemption from income taxes for an additional 3 years thereafter, an exemption from the Industrial and Commercial Administration Charge and other industry fees for one year, and an exemption from a variety of other fees and surcharges during the period that the new plant space is under construction.

Assets and liabilities of TZF Jiangsu at the date of acquisition on December 31, 2000, were as follows:

Assets	
Cash and cash equivalents	$ 1,005,456
Accounts receivable, trade	1,675,847
Short-term loans	701,927
Inventories	79,095
Construction in progress	861,460
Fixed assets, net of accumulated depreciation	548,421
Fixed assets, other	239,261
Rights of use of land - 50 years	1,239,942
	8,269,783
Liabilities	
Accounts payable, trade	913,669
Accounts payable, others	350,001
Taxes payable	389,934
Payroll and payroll deductions payable	94,821

Long-term liabilities	306,138
Bank loans	1,095,526
	3,150,089
Net assets	5,119,694
Gain - Negative goodwill on acquisition added to paid-in capital in these financial statements	3,333,103
Total cash payments on acquisition	$1,786,591

By an Acquisition and Investment Agreement dated December 31, 2000, the Company completed the purchase of all of the shares of Shenzhen Tianzifu Network Technology Ltd., ("Shenzhen TZF Net") (formerly Shenzhen Xinhaihu Industry Trading & Development Co., Ltd.), a Chinese corporation. The purchase price is $3,000,000, of which, $2,481,410 was paid, and the balance of $518,590 is recorded as payable on acquisition as a current liability in these financial statements.

The major businesses of Shenzhen TZF Net are in China and include pharmaceutical businesses, material supply, computer network software and hardware development and related business information consulting.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, T.Z.F. International Herbs Investment Inc., Tianan Investment Limited (and its wholly-owned subsidiary Tianan Pharmacy (Xiamen) Co. Ltd.), TZF International Herbs (Jiangsu) Co. Ltd. and Shenzhen Tianzhifu Network Technology Ltd. All intercompany transactions and balances have been eliminated.

Basis of presentation

These consolidated financial statements have been prepared in accordance with Accounting Principles Generally Accepted in the United States ("USGAAP).

Development stage company

The consolidated financial statements of the Company to December 31, 2001 have been prepared in accordance with the provisions of Statement of Financial Accounting Standard No. 7, "Accounting and Reporting by Development Stage Enterprises", which included cumulative figures for the statement of operations and cash flows from the date of inception on September 15, 1998 to December31, 2001. Commencing January 1, 2002, the Company is not considered to still be a development stage company and, accordingly, figures from date of inception are not disclosed.

Business Combinations
The Company uses the Purchase Method in accounting for its acquisitions.

Goodwill will be subject to review for impairment. This review would be at the lowest reporting level or levels that include the acquired business (i.e., the reporting unit). Goodwill would be considered impaired and subject to write-down if the fair value of the reporting unit's goodwill is less than its carrying amount. The fair value of goodwill would be determined by subtracting the fair value of the recognized net assets of the reporting unit (excluding goodwill) from the fair value of the reporting unit. The amount of the impairment would be the difference between the carrying amount and the fair value of the goodwill.

Use of estimates
The preparation of financial statements in conformity with USGAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and cash equivalents
Cash and cash equivalents consists of cash on deposit and highly liquid short-term interest bearing securities with a maturity at the date of purchase of three months or less.

Income Taxes
Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statement at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled as prescribed in FASB Statement No. 109, Accounting for Income Taxes. As changes in tax laws or rate are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Compensated absences
Employees of the corporation are entitled to paid vacations, sick days and other time off depending on job classification, length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The corporation's policy is to recognize the costs of compensated absences when paid to employees.

Net earnings per share
The Company adopted Statement of Financial Accounting Standards No. 128 that requires the reporting of both basic and diluted earnings per share. Basic earnings per share is computed by dividing net income available to common shareowners by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contacts to issue common stock were exercised or converted into common stock. In accordance with FASB 128, any

anti-dilution effects on net loss per share are excluded.

Disclosure about fair value of financial instruments

The Company has financial instruments, none of which are held for trading purposes. The Company estimates that the fair value of all financial instruments at December 31, 2001 as defined in FASB 107, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheets. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is recorded on the following rates, based upon the useful life of the assets.

Office equipment	- 20% per annum on the declining balance basis
Leasehold improvement	- allocated on a straight-line basis over the term of lease
Vehicles	- 30% per annum on the declining balance basis
Computer equipment	- 30% per annum on the declining balance basis
Buildings	- 4.75% per annum on the straight-line basis
Mechanical devices	- 19% per annum on the straight-line basis
Electric devices	- 19% per annum on the straight-line basis
Shipping devices	- 19% per annum on the straight-line basis
Other devices	- 19% per annum on the straight-line basis

Long-lived assets

Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset in question may not be recoverable. This standard does not have a material effect on the Company's results of operations, cash flows or financial position in these financial statements.

Foreign currency translation

The functional currency of the parent Company T.Z.F. International Investments, Inc. is the United States Dollar and of T.Z.F. International Herbs Investment Inc. is the Canadian Dollar, Tianan Pharmacy (Xiamen) Co. Ltd, T.Z.F. International Herbs (Jiangsu) Co. Ltd. and Shenzhen Tianzifu Network Technology Ltd. are in Chinese Yuan and the reporting currency on a consolidated basis is the United States Dollar.

The assets, liabilities, and operations of the Company are expressed in the functional currency of the Company in United States Dollars. Operations of the subsidiary, T.Z.F. International Herbs Investment Inc. are in Canadian Dollars and in conformity with US GAAP they are translated into the reporting currency, the United States Dollar.

Monetary assets and liabilities are translated at the current rate of exchange.

The weighted average exchange rate for the period is used to translate revenue, expenses, and gains or losses from the functional currency to the reporting currency.

The gain or loss on translation is reported as a separate component of stockholders' equity and not recognized in net income. Gains or losses on remeasurement are recognized in current net income.

Gains or losses from foreign currency transactions are recognized in current net income.

Fixed assets are measured at historical exchange rates that existed at the time of the transaction.

Depreciation is remeasured at historical exchange rates that existed at the time the underlying related asset was acquired.

An analysis of the changes in the cumulative translation adjustment as disclosed as part of stockholders' equity, is as follows:

	Six Months Ended June 30,	
	2002	2001
Balance, Beginning of period	$ 4,987	$ 4,383
Change during the period		(8)
Balance, End of period	$ 4,987	$ 4,375

The effect of exchange rate changes on cash balances is reported in the statement of cash flows as a separate part of the reconciliation of change in cash and cash equivalents during the period.

Concentration of credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents which are not collateralized. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions.

Inventories

The inventories are recorded at the lower of cost or market. As at June 30, 2002 the inventories total $1,779,742 (June 30, 2001 - $2,185,094) (see note 7)

Revenue Recognition

The Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) 101, Revenue Recognition in Financial Statements, in December 1999. The SAB summarizes certain of the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. During the current year, the Company performed a review of its revenue recognition policies and determined that it is in compliance with SAB 101.

Web Site Development Expenses

Web site development expenses relate to the development of new online services and consist principally of employee compensation, as well as costs for content, facilities and equipment. The consensus in the Financial Accounting Standards Board Emerging Issues Task Force (EITF) Issue No. 00-2, Accounting for Web Site Development Costs, requires that certain costs to develop Web sites be capitalized or expensed, depending on the nature of the costs. Development expenses of $59,778 have been capitalized and are being amortized over a period of 30 months (note 12).

Shipping and Handing Fees and Costs

In September 2000, the Financial Accounting Standards Board Emerging Issues Task Force (EITF) reached a final consensus on EITF Issue No. 00-10, Accounting for Shipping and Handling Fees and Costs. This consensus requires that all amounts billed to a customer in a sale transaction related to shipping and handling, be classified as revenue. The Company historically has netted shipping charges to customers with shipping and handling costs which are included in operating expenses in the Statements of Operations. With respect to the classification of costs related to shipping and handling incurred by the seller, the EITF determined that the classification of such costs is an accounting policy decision that should be disclosed. The Company adopted the consensus in the Issue in fiscal 2001.

Segmented Information

The Company's identifiable assets as at June 30, 2002 are located in the following countries:

Canada	$4,031,292
China	15,222,019
The United States	3,231
	$19,256,542

Note 3. CASH AND CASH EQUIVALENTS - $259,919

The total for cash and equivalents as at June 30, 2002, is made up as follows:

	TZF US Company	The BC Company	Tian'an	JZF Jiangsu	Shenzhen TZF Net	Total
Petty cash	$	$	$ 272	$ 33,762	$ 820	$ 34,854
Cash in trust		2,769				2,769
Cash in bank		2,030	115,448	16,271	11,504	145,253
Short-term deposits				76,315		76,315
Total	$ 0	$ 4,799	$115,270	$ 126,348	$ 12,324	$ 259,191

Note 4. ACCOUNTS RECEIVABLE

This balance represents the following:

	TZF US Company	The BC Company	Tian'an	JZF Jiangsu	Shenzhen TZF Net	Total
Accounts receivable, trade	$	$	$521,939	$1,058,001	$ 29,793	$1,609,733
Accounts receivable, Canadian GST		7,276				7,276
Short-term loans			318,178		410,659	728,837
Accounts receivable, others				1,120,839		1,120,839
Total	$ 0	$ 7,276	$840,117	$2,178,840	$ 440,452	$3,466,685

Note 5. PREPAID EXPENSES AND DEPOSITS

The balance of prepaid expenses and deposit as at June 30, 2002, is as follows:

	The BC Company	Tian'an	Shenzhen TZF Net	Total
Rental deposits	$ 2,775	$	$	$ 2,775
Prepaid to Beijing Zhong Buo for website development			1,452,275	1,452,275
Prepaid new medicine application fees		247,625		247,625
Total	$2,775	$ 247,625	$1,452,275	$1,702,675

As at June 30, 2002, Shenzhen TZF Net paid $1,439,535 to Beijing Zhongbuo Merchants Promotion Internet Co. Ltd. for the setting up of website and computer systems. This project is in progress as at June 30, 2002 and, accordingly, is recorded as a prepaid expense.

Note 6. SUBSCRIPTIONS RECEIVABLE

As at September 11, 2000, Mr. Chung Yiu Chung signed a subscription agreement with the Company, whereby he subscribed for 561,798 common share of the Company at a price of CAD$1.50 per share, of which, 162,994 common shares were issued and paid. The balance of $406,434 is unpaid. As at December 31, 2001 the latter amount has been reversed and the issued share capital reduced, accordingly.

Note 7. INVENTORIES

The inventories as at June 30, 2002, are made up as follows:

	The BC Company	Tian'an	TZF Jiangsu	Shenzhen TZF Net	Total
Raw materials	$	$ 54,632	$ 74,600	$	$129,232
Packaging materials		18,524	626,928		645,452
Finished products		272,610	236,194		508,804
Other			287,028	209,226	496,254
Total	$ 0	$ 345,766	$1,224,750	$209,226	$1,779,742

Note 8. FIXED ASSETS

The totals for fixed assets and accumulated depreciation as at June 30, 2002, are made up as follows:

	The BC Company	Tian'an	TZF Jiangsu	Shenzhen TZF Net	Total
Cost					
Computer equipment	$ 14,364	$	$	$	$14,364
Office equipment	14,286				14,286
Vehicles	11,928				11,928
Buildings and improvements	38,426	1,312,794			1,351,220

Mechanic devices		321,187			321,187
Shipping devices		21,685			21,685
Electronic devices				100,072	100,072
Other		316,326	1,885,145		2,201,471
Total	79,004	1,971,992	1,885,145	100,072	4,036,213
Accumulated Depreciation					
Computer equipment	6,673				6,673
Office equipment	5,785				5,785
Vehicles	8,665				8,665
Buildings and improvements	13,073	305,234			318,307
Mechanic devices		142,851			142,851
Shipping devices		19,517			19,517
Electronic devices				20,107	20,107
Other		306,860	156,005		462,865
Total	34,196	774,462	156,005	20,107	984,770
Net book value					
Computer equipment	7,691				7,691
Office equipment	8,501				8,501
Vehicles	3,263				3,263
Buildings and improvements	25,353	1,007,560			1,032,913
Mechanic devices		178,336			178,336
Shipping devices		2,168			2,168
Electronic devices				79,965	79,965

Other		9,466	1,729,140		1,738,606
Total (to Schedule A)	$ 44,808	$1,197,530	$ 1,729,140	$ 79,965	$3,051,443

Note 9. FIXED ASSETS - OTHERS

As at June 30, 2002, other fixed assets of $552,436 (June 30, 2001 - $793,813) as disclosed in Schedule A, in addition to the above, represent the residual value of fixed assets located at TZF Jiangsu.

Note 10. FIXED ASSETS – CONSTRUCTION IN PROGRESS

The construction in progress of $925,863 as at June 30, 2002, applies to new buildings and related equipment located at TZF Jiangsu and will not be depreciated until the building has been completed and the equipment put into use. Certificate of completion is expected in 2002.

Note 11. GOODWILL

As at June 30, 2002, goodwill of $1,206,554 is made up as follows:

	Tian'an	Shenzhen TZF Net	Total
Goodwill on acquisitions	$147,177	$1,059,377	$1,206,554

The goodwill will be evaluated on an annual basis as to any possible impairment. The earnings of Tianan justify the goodwill. Shenzhen is expected to attain earnings to continue to justify the amount of goodwill and, accordingly, no adjustment has been made to the goodwill booked for Shenzhen.

Note 12. INTANGIBLE ASSETS - DEFERRED COSTS

As at June 30, 2002, deferred costs of $86,880 are made up as follows:

	Tian'an	Shenzhen TZF Net	Total
Website development - to be amortized over 30 months	$	$59,778	$59,778
Net product development costs - to be expensed in 2002	32,840		32,840
Amortization		(5,738)	(5,738)
Net book value (to schedule A)	$ 32,840	$ 54,040	$86,880

Note 13. INTANGIBLE ASSETS - TECHNOLOGY RIGHTS

By agreement dated December 15, 1999, Shenzhen Hengyunda Enterprises Co. Ltd. of P.R. China agreed to sell and assign certain information and rights relating to a series of products known as the Snow Lotus Tea series products to the BC Company.

The BC Company agreed to pay consideration of $4,038,229 for acquisition of these assets, through the issuance of 6,000,000 shares of its Class B common stock, which were valued for purposes of the acquisition at a price of CAD$1.00 per share, for total consideration of CAD$6,000,000 (US$4,038,229).

Shenzhen Hengyunda Enterprises Co. Ltd. has warranted that there are no charges or encumbrances against the rights being acquired.

This agreement includes the sale, assignment and transfer of all the right, title and interest in and to the Product Information and all the rights to use, exploit, develop or otherwise deal with the Product Information or the Project, including the right to register any Intellectual Property in connection with the Product, the same to be held and enjoyed by the BC Company and its successors and assigns as fully and effectively as the same would have been held and enjoyed by Shenzhen Hengyunda Enterprises Co. Ltd. had this transfer and assignment not been made.

Shenzhen Hengyunda Enterprises Co. Ltd. further agrees to execute and deliver all such documents and further assurances as may be necessary or desirable to give effect to the sale and assignment.

These technology rights have subsequently been reevaluated (see subsequent event notes 28).

Note 14. ACCOUNTS PAYABLE AND ACCRUED

Details of the total of accounts payable and accrued as at June 30, 2002, are as follows:

	TZF US Company	The BC Company	Tian'an	TZF Jiangsu	Shenzhen TZF Net	Total
A/P, trade			$ 58,531	$1,288,748	$ 99,836	$1,446,665
Accrued payroll			12,928	13,271	10,460	36,659
Taxes payable			4,754	133,745	83,264	221,763
Other payables	9,968	51,111	48,710	428,160	109,973	647,922
Total	9,968	51,111	124,923	1,863,924	303,083	2,353,009

Note 15. MANAGEMENT FEES PAYABLE

There are no management fees incurred for six month period ended June 30, 2002

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Note 16. RELATED PARTY TRANSACTIONS

a) The amount of $560,552 represents loans to the Company by related parties as at June 30, 2002, is unsecured, non interest bearing, with no specific terms of repayment.

b) The principal shareholders offered to all warrant holders to exchange their warrants for shares held by the principal shareholders pursuant to such ratio so that, with the completion of the warrant/share exchange, the per share cost of the share/warrant held by the minority shareholder effectively stands at CAD$0.75 per share. The share/warrant change became effective as of December 17, 2000.

c) During the fiscal year ended December 31, 2000, Mr. Xin Chen, Director and Chairman of Board of Directors of the Company, advanced a total of approximately $5,500,000 on behalf of the Company. These funds were used in part for purchase of the assets of TZF Jiangsu, and in part for purchase of all of the issued and outstanding stock of Tian'an Investments Limited, a British Virgin Islands Corporation (which was completed on December 21, 2000) and part of the payment on the acquisition of 100% issued and outstanding shares of Shenzhen T.Z.F. Network Technologies Co., Ltd.

On December 28, 2000, the Company signed a Debt Settlement Agreement with Mr. Xin Chen. Mr. Chen agreed to take 10,000,000 common shares of the Company at a price of CAD$0.75 (US$0.50) per share to repay $5,000,000 of his loan. These shares have warrants attached entitling the holder to purchase additional 10,000,000 common shares of the Company at a price of CAD$1.50 per share until December 28, 2001 (expired), and thereafter, at a price of CAD$2.50 per share until December 28, 2002.

Note 17. BANK LOANS

Details of bank loans as at June 30, 2002, are as follows:
TZF Jiangsu

As at June 30, 2002, Jiangsu has bank loans, as follows, secured by its assets:

	Period of Loan	Principal Chinese RMB	Principal Equivalent to US $	Interest Rate/Monthly
Industries and Commerce Bank of Jianhu, China	6/30/02 - 6/30/03	8,559,996	1,035,066	0.63375%

Note 18. LONG-TERM LIABILITIES

a) The long-term debt of $214,208 represents long-term accounts payable owing by Second Pharmacy, with payment deferred.

b) The deferred liabilities of $212,562 for pensions applies to Tianan.

Note 19. CAPITAL STOCK

Outstanding warrants at June 30, 2002

290,007 warrants to purchase 290,007 common shares exercisable at CAD$1.50 per share until December 17, 2002
10,000,000 warrants to purchase 10,000,000 common shares exercisable at CAD$2.50 per shares until December 28, 2002.
10,290,007

Note 20. INCOME TAXES

a) The most recent Federal Income Tax filing for the Company for the US was for the year ended December 31, 2000, disclosing no income taxes payable to the US Internal Revenue Service.

b) The BC Company has filed Federal Income Tax Returns for the years ended December 31, 1999, 2000 and 2001. To December 31, 2001, the BC Company had a total loss of CAD$1,203 (equivalent to US$776). No provision for Canadian Income Taxes is provided for in these consolidated financial statements as the profit is reduced by the losses brought forward and other costs of the Company.

Note 21. LEASE OBLIGATIONS - Subsequently terminated (note 28 (b))

a) Canon Copier (NP-3825) Lease
On October 1, 1999, the Company entered into a 48 month lease with Dominion Technologies for a Canon Copier to be used by the Company. Lease payments are expensed as they are incurred. Lease obligations are as follows:

2002	CAD$ 1,327
2003	CAD$ 995

b) Computer Lease
On October 1, 1999, the Company entered into a 36 month lease with Dominion Technologies for computer equipment to be used by the Company. Lease payments are expensed as they are incurred. Lease obligations are as follows:

2002	CAD$ 2,210

c) Vehicle Leases

On July 29, 1999, the Company entered into a 36 month lease with Mercedes-Benz Credit of Canada Inc. for two vehicles to be used by the Company. Lease payments are expensed as they are incurred. Lease obligations are as follows:

2002	CAD$	12,207

(4) Lease of Premises

The Company entered into a lease for offices on April 26, 1999 with Omnia Overseas Trading Ltd. for three years for monthly rent and costs of CAD$3,133.51, that commenced on July 1, 1999.

The the last months rent of CAD$4,302 is due at the time of signing. This amount has been paid and is recorded as prepaid expense and deposit as at June 30, 2002.

Summary of lease obligations

Year	CDN$	Equivalent US$
2002	$34,545	$23,250
2003	995	670
	$35,540	$23,920

These lease payments are not capitalized, but are expensed as they are incurred. All the above leases will subsequently be terminated by the Company by August 31, 2002.

Note 22. PENSION AND EMPLOYMENT LIABILITIES

The Company has liabilities which are deferred as at June 30, 2002, for pension, post-employment benefits or post-retirement benefits in Tianan in the amount of $212,562. This liability is unchanged from December 21, 2000. The parent company and other subsidiary companies, (except for Tianan) do not have any liabilities for pensions and related costs.

Note 23. DISTRIBUTORSHIP AGREEMENTS

The Company and/or its subsidiaries entered into various distributorship agreements with independent third parties to market products of the Company and its subsidiaries.

Note 24. LAWSUIT

Expediter Sales Ltd. (“Expediter”) v. the BC Company

There is a claim filed against the BC Company by Expediter alleging a breach of contract and misrepresentation. Expediter is seeking damages for alleged loss of profits, loss of business and goodwill, misrepresentation, set-up expenses and the alleged wrongful use of Expediter's name, and an injunction to prevent the BC Company from selling an herbal tea in Canada. The BC Company terminated the contract of Expediter for non-performance and has, accordingly, counterclaimed against Expediter for outstanding debts unpaid by Expediter. No provision has been made in these financial statements for any potential costs or contingent assets relating to this matter as the results of the claim and counterclaim are not determinable at this time.

Note 25. SALES IN CANADA

The Company maintains a products analysis and quality control system in Canada, for its products to be distributed, in order to ensure that its products conform to relevant regulatory and health requirements. Where any products are found not to meet the regulatory requirements, the Company will immediately take such measures as necessary, or cause such measures to be taken, so that the said regulatory requirements are complied with.

Note 26. OPERATIONS OF SUBSIDIARY COMPANIES

Details of the operating figures for the Company and the four subsidiary companies for the six months ended June 30, 2002, extracted from the applicable financial statements of those companies, are as follows:

	TZF US Company	The BC Company	Tian'an	TZF Jiangsu	Shenzhen TZF Net	Total
Revenue						
Sales	$	$ 6,429	$470,396	$1,540,988	$ 53,856	$2,071,669
Cost of sales		$ 22,208	196,195	977,493	29,710	1,225,606
Gross profit		(15,779)	274,201	563,494	24,146	846,063
Other income (expense)		(14,186)	7,647			(6,539)
		(29,965)	(281,848)	563,495	24,146	839,524
Selling expenses			60,000	176,541	59,581	296,122
Administrative costs	2,380	133,164	77,068	34,237	46,561	293,410
Depreciation		6,817	73,810	159,778	9,519	249,934
Bad debts	8,826	592,582				601,408
	11,206	732,563	210,878	370,566	115,661	1,440,874
Profit(Loss) before income taxes	(11,206)	(762,528)	70,970	192,929	(91,515)	(601,350)
Income taxes			1,939			1,939

Net profit (loss) for the period	$ (11,206)	$(762,528)	$ 69,031	$192,929	$(91,515)	$(603,289)

Note 27 DISTRIBUTION AGREEMENTS

a) By agreement dated December 15, 2000, effective January 1, 2001, Trophic Canada Ltd. ("the Supplier"), granted TZF International Investments, Inc. ("TZF") the exclusive right to promote, distribute, and sell the supplier's products within the "Territory" of China, which includes Hong Kong, SAR, for a period of five years. Continuation of this exclusive right is contingent upon meeting or exceeding the purchase of products for a minimum of CAD$50,000 within the first distribution year, a minimum of CAD$200,000 within the second distribution year, and increases of approximately 20% in each of the subsequent distribution years.

The supplier may terminate the distribution agreement if TZF breaches any terms of the agreement, including but not restricted to the annual sales requirements, if any breaches are not remedied within three months after written notice.

TZF cannot assign the agreement or subcontract its obligations under the agreement without the consent in writing of the supplier. The supplier is an arms length party unrelated to TZF.

b) By agreement dated June 22, 2001, effective June 22, 2001, Puresource Inc. ("the Supplier") granted TZF International Investments, Inc. ("TZF") the exclusive right to promote, distribute, and sell the supplier's products within the "Territory" of China, which includes Hong Kong, SAR, for a period of five years. Continuation of this exclusive right is contingent upon meeting or exceeding the purchase of products for a minimum of US$20,000 within 12 months after the initial Product has been approved for sale in the Territory by the appropriate Government department.

The supplier may terminate the distribution agreement if TZF breaches any terms of the agreement, including but not restricted to the annual sales requirements, if any breaches are not remedied within 45 days after written notice.

This agreement shall be renewed for additional successive renewal periods of five year terms upon written notice by either of the parties, delivered at lease 60 days prior to the expiration of the preceding period and in any case the Distributor will always have the first choice of renewal.

c) By agreement dated July 25, 2001 effective July 25, 2001, Flora Manufacturing and Distributing Ltd. ("the Supplier"), granted TZF International Investments, Inc. ("TZF") the exclusive right to promote, distribute, and sell the supplier's products within the "Territory" of the Peoples' Republic of China (excluding Hong Kong and Macao) for a period of three years. Continuation of this exclusive right is contingent upon meeting or exceeding the purchase of products for a minimum of US$50,000 within 12 months after the initial Product has been approved for sale in the Territory by the appropriate government department and in the next two years thereafter or US$200,000 in the second year and US$400,000 in the third year.

The supplier may terminate the distribution agreement if TZF breaches any terms of the agreement, including but not restricted to the annual sales requirements, if any breaches are not remedied within three months after written notice.

This agreement shall be renewed for additional successive renewal periods of three year terms upon written notice by either of the parties, delivered at least 60 days prior to the expiration of the preceding period and, in any case, the Distributor will always have the first choice of renewal.

Note 28. SUBSEQUENT EVENTS

(1) Reevaluation of Technology Rights

Subsequent to June 30, 2002, the technology rights have been reevaluated bvy management, resulting in a write-down of $3,634,406 (CAD$5,400,000) and a return to the treasury of 5,400,000 Class B Common Shares previously issued for this technology. The vendors of the technology are to retain 600,000 Class B Common Shares.

2. Termination of all Lease TZF Canada Office

In order to reduce operating costs, the Company has subsequently cancelled all leases applicable to its Canadian office in British Columbia, Canada.

3. Cancellation of Founders' Shares

Subsequent to June 30, 2002, the Company is negotiating with the founders for the cancellation of a portion of their shares.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION
Forward Looking Statements.

Certain statements in this report, including statements in the following discussion which are not statements of historical fact, are what are known as "forward looking statements,"which are basically statements about the future, and which for that reason, involve risk and uncertainty, since no one can accurately predict the future. Words such as "plans," "intends," "will," "hopes," "seeks," "anticipates," "expects," "goal" and "objective" often identify such forward looking statements, but are not the only indication that a statement is a forward looking statement. Such forward looking statements include statements of our plans and objectives with respect to the present and future operations of the Company, and statements which express or imply that such present and future operations will or may produce revenues, income or profits. Numerous factors and future events could cause the Company to change such plans and objectives, or fail to successfully implement such plans or achieve such objectives, or cause such present and future operations to fail to produce revenues, income or profits. Therefore, the reader is advised that the following discussion should be considered in light of the discussion of risks and other factors contained in this Form 10QSB and in the Company's other filings with the Securities and Exchange Commission, and that no statements contained in the following discussion or in this Form 10QSB should be construed as a guarantee or assurance of future performance or future results.

The following discussion and analysis should be read in combination with our consolidated financial statements included in Item 8 of this Form.

We are a manufacturer and distributor of Chinese herbal medicine products.

In this section we discuss our results of operations on a consolidated basis. We also discuss our liquidity, and capital resources.

1. Financial Condition

	June 30,	
	2002	2001
Current assets	$ 7,208,293	$11,611,974
Property, plant and equipment	6,716,585	6,433,193
Goodwill, intangible assets and other	5,331,663	5,317,221
Consolidated assets	$19,256,542	$23,362,388

TZF's consolidated assets decreased $4,105,846 from 2001 to 2002, reflecting mainly a decrease in current assets of $4,403,681. Current liabilities decreased by approximately $2 million.

The Company has deferred liabilities of $212,562 in its Tianan subsidiary for pension and related benefits that were accumulated to December 21, 2000, the date of acquisition, and unchanged to June 30, 2002. There are no additional unfunded pension and related benefit liabilities at June 30, 2002.

The TZF debt-to-total-capital ratio was 23% at June 30, 2002 versus 27% at June 30, 2001, assuming that the deferred liabilities are treated as debt. Accordingly, the debt-to-total-capital ratio is calculated defining "debt" as short term borrowing (current liabilities), long term debt and deferred liabilities. Total capital is defined as debt, plus stockholders' equity.

2. Liquidity and capital resources

	June 30,	
	2002	2001
Working capital	$ 3,259,666	$5,652,646

Working capital, represented by current assets less current liabilities, decreased in the second quarter of 2002 by $852,126 as compared to an increase of $1,177,874 in the second quarter of 2001. The TZF working capital ratio was 1.8:1 at June 30, 2002 and 1.9:1 at June 30, 2001.

The decrease in working capital in the second quarter of 2002 is due mainly to expenditures on property, plant and equipment of $350,224 and a loss on operations of $624,030.

The quick ratio represented by the total of cash and cash equivalents and accounts receivable, versus total current liabilities (excluding amounts due to related parties), was 0.96:1 at June 30, 2002 and 1.2:1 at June 30, 2001.

3. Operating activities

	Quarter Ended June 30,	
	2002	2001
Cash flows from operating activities	$ 763,842	$ 305,882

Cash flow for the quarter ended June 30, 2002 was used mainly in the acquisition of fixed assets of $350,224 and reduction in debt of $789,709. The loan from related parties was increased by $245,846 during the quarter. Cash decreased by $130,245 during the quarter, from $389,436 at March 31, 2002 to $259,191 at June 30, 2002.

Cash flow for the comparative quarter ended June 30, 2001 was $305,882 from operations, $74,366 from investing activities, and $386,440 received from financing activities. Cash increased by $766,688 during the quarter, from $866,922 at March 31, 2001, to $1,633,610 at June 30, 2001.

The Company has four subsidiary companies. Details of the consolidated operating figures for the Company and the four subsidiary companies for the six months ended June 30, 2002, compared to the six months ended June 30, 2001 extracted from the applicable financial statements of those companies, are as follows:

Quarter #2 - Six months ended June 30, 2002

	TZF US Company	The BC Company	Tian'an	TZF Jiangsu	Shenzhen TZF Net	Total
Revenue						
Sales	$	$ 6,429	$470,396	$1,540,988	$ 53,856	$2,071,669
Cost of sales		$ 22,208	196,195	977,493	29,710	1,225,606
Gross profit		(15,779)	274,201	563,494	24,146	846,063
Other income (expense)		(14,186)	7,647			(6,539)
		(29,965)	(281,848)	563,495	24,146	839,524
Selling expenses			60,000	176,541	59,581	296,122
Administrative costs	2,380	133,164	77,068	34,237	46,561	293,410
Depreciation		6,817	73,810	159,778	9,519	249,934
Bad debts	8,826	592,582				601,408
	11,206	732,563	210,878	370,566	115,661	1,440,874
Profit(Loss) before income taxes	(11,206)	(762,528)	70,970	192,929	(91,515)	(601,350)
Income taxes			1,939			1,939
Net profit (loss) for the period	$ (11,206)	$(762,528)	$ 69,031	$192,929	$(91,515)	$(603,289)

Quarter #2 - Six months ended June 30, 2001

	TZF US Company	The BC Company	Tian'an	TZF JiangSu	Shenzhen TZF Net	Total
Revenue						
Sales	$146,234	$1,206,677	$ 489,199	$ 625,996	$3,629,817	$6,097,923
Cost of sales	38,056	683,344	212,533	417,160	2,863,485	4,214,578
Gross profit	108,178	523,333	276,666	208,836	766,332	1,883,345
Selling expenses		16,509	45,836	79,177	27,466	168,988
	108,178	506,824	230,830	129,659	738,866	1,714,357
Other income	70	2,306	65,683	121,827	70,360	260,246

	108,248	509,130	296,513	251,486	809,226	1,974,603
Administrative costs	43,079	317,588	81,853	98,001	100,850	641,341
Amortization of goodwill			3,680		26,484	30,164
Depreciation		8,606	74,544		1,474	84,624
	43,079	326,164	160,077	98,001	128,808	756,129
Profit (loss) before	65,169	182,966	136,436	153,485	680,418	1,218,474
Income taxes			21,017		190,536	211,553
	65,169	182,966	115,419	153,485	489,882	1,006,921
Minority Interest					36,129	
Net Profit (loss)	$ 65,169	$182,966	$ 115,419	$153,485	$453,753	$970,792

Consolidated Net Profit

The consolidated net loss was $624,030 for the quarter ended June 30, 2002 versus a net profit of $740,920 for the quarter ended June 30, 2001.

Consolidated Revenue

Sales decreased to $1,022,919 for the quarter ended June 30, 2002. A reduction of approximately 79% versus sales of $4,811,377 for the quarter ended June 30, 2001. Gross profit, as a percentage of sales (excluding other income) was 46% for the quarter ended June 30, 2002 versus 28% for the quarter ended June 30, 2001.

Goodwill and intangible assets

The goodwill will be evaluated on a continuous basis as to any possible impairment. In the opinion of management, the operations of Tianan justify the goodwill of $147,177. Shenzhen is expected by management to attain earnings to continue to justify goodwill of Shenzhen of $1,059,377. Other intangible assets, represented by deferred costs and technology rights, that total $4,125,109, will also continue be evaluated periodically, in subsequent reporting periods.

4. Investing activities

Quarter Ended June 30,

	2002	2001
Cash flows provided by (used for) investing activities	$ (350,224)	$ 74,366

Funds were invested in the purchase of fixed assets of $350,224 for the quarter ended June 30, 2002, and $260,283 for the quarter ended June 30, 2001.

5. Financing activities

	Quarter Ended June 30,	
	2002	2001
Cash flows provided by (used for) financing activities	$ (543,863)	$ 386,440

Financing activities for the quarter ended June 30, 2002, reflect the repayment of long term debt of $40,011, reduction in bank loans by $749,698, and increase in loans from related parties of $245,846. Financing activities for the quarter ended June 30, 2001 reflect in increase in the bank loans by $338,573.

6. Capital requirements

TZF has current bank loans of $1,035,066 at June 30, 2002 versus $1,917,775 at June 30, 2001.

TZF JiangSu property, plant, and equipment is still in progress at June 30, 2002. Certificate of Completion of Construction is expected in the latter part of 2002.

At June 30, 2002, TZF management expects no further major capital expenditures to be incurred for the balance of 2002.

PART II

ITEM 1. LEGAL PROCEEDINGS

Expediter Sales Ltd. ("Expediter") v. the BC Company

There is a claim filed against the BC Company by Expediter alleging a breach of contract and misrepresentation. Expediter is seeking damages for alleged loss of profits, loss of business and goodwill, misrepresentation, set-up expenses and the alleged wrongful use of Expediter's name, and an injunction to prevent the BC Company from selling an herbal tea in Canada. The BC Company terminated the contract of Expediter for non-performance and has, accordingly, counterclaimed against Expediter for outstanding debts unpaid by Expediter. No provision has been made in these financial statements for any potential costs or contingent assets relating to this matter as the results of the claim and counterclaim are not determinable at this time.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the security holders of the Company during the third quarter ending June 30, 2002.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits 99.1 and 99.2**,** CEO AND CFO CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 are filed herewith.

(b) No reports on Form 8-K were filed during the quarter ended June 30, 2002.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

T.Z.F. INTERNATIONAL INVESTMENTS, INC.

By:/S/ CHUNG YU
Chung Yu, President, Chief Executive Officer, and a Director

By: /S/ XIN CHEN
Xin Chen, Chairman of the Board

By: /S/ HONG LI
Hong Li, a Director

By: /S/ CHUN SHENG GUO
Chun Sheng Guo, a Director

By: /S/ QING LIU
Qing Liu, Vice President and a Director

Date: August 19, 2002

Exhibit 99.1

T.Z.F. INTERNATIONAL INVESTMENTS, INC..

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of T.Z.F. International Investments, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chung Yu, Chief Executive Officer and a Director of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:/S/ CHUNG YU
Chung Yu, President, Chief Executive Officer, and a Director

Date: August 19, 2002

Exhibit 99.2

T.Z.F. INTERNATIONAL INVESTMENTS, INC.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of T.Z.F. International Investments, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Xin Chen, Chairman, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /S/ XIN CHEN
Xin Chen, Chairman of the Board

Date: August 19, 2002